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ADDRESS

AT THE

ANNUAL CONVENTION

OF THE

American Bankers' Association,

September 23d, 1885,

AT CHICAGO, ILLINOIS,

BY

MR. EDWARD ATKINSON,

OF BOSTON,

ON COMMON SENSE IN REGARD TO THE SILVER QUESTION.

PRINTED FROM THE OFFICIAL MINUTES OF THE CONVENTION.

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ANNUAL CONVENTION

OF

The American Bankers' Association,

CHICAGO, ILLINOIS,

September 23d, 1885.

The following paper was presented from Mr. EDWARD ATKINSON, of Boston, which was prepared at the special request of the Executive Council:

MR. EDWARD ATKINSON'S COMMUNICATION ON COMMON SENSE IN REGARD TO THE SILVER PROBLEM.

Mr. President and Gentlemen of the Convention:

Since it will be impossible for me to be present at the meeting of the Bankers' Association, I beg to avail myself of the privilege which has been given to me to write a letter, which I may perhaps be permitted to call "Common Sense in Regard to the Silver Problem."

I have often felt the same questioning in regard to my judgment upon this problem, which has lately been expressed by Mayor Grace of New York in an interview with a reporter of the New York *Herald*. The matter seems to me so simple and so plain, that I cannot fully comprehend the reason for the obscurity which has been thrown around it in the multiplicity of books, essays and speeches upon the subject; except upon the assumption that I am myself incapable of grasping the fundamental principles of money and the functions of legal tender acts, and that I therefore fail to penetrate below the surface of the problem.

It seens to me that the confusion of ideas which prevails in respect to what is called bi-metallism, grows wholly out of a confusion of terms. Bi-metallism and mono metallism have a learned sound, and they fall readily from the lips; but when one speaks of bi legal-tenderism and of mono-legal-tenderism, the discussion becomes vague. Yet the latter terms are the ones which should be considered. The question is not as to the coinage of one or both metals into money; it is whether or not a debtor shall have a choice as to which coin he will use in meeting a contract, while the creditor is deprived of any power of choice as to which metal he will receive.

It is commonly assumed that in order that both the precious metals, silver and gold, shall be used as money metals, both kinds of coin which are manufactured therefrom must of necessity be made legal tender in the liquidation of debts.

Now, it is very plain that both metals were used as money metals, and a bi-metallic system prevailed before any acts of legal tender existed. Both metals were used as money metals even before States or nations had assumed the sole function of coinage. Both metals are used to-day by races or nations to whom the very conception of a legal tender is unknown. Bi-metallism is, therefore, well grounded in the nature of things.

There is, however, no necessary connection between the use of either metal (or of the coins made from either metal) as money, and an act of legal tender which may compel a creditor to receive one or the other kinds of coin in liquidation of a debt. In point of fact, the use which is made of money in the discharge of debts, or, to be more accurate, the use which is made of money in the discharge of deferred payments, is very small compared to the use which is made of money in the liquidation of exchanges, bargains, purchases or sales, as to which there is no deferred payment, or none of any moment.

What is called in the language of the street "cash trade," is immeasurably greater than credit trade. Cash sales, or sales on very short credit, are vastly greater in value than sales on which payment is deferred for any great length of time. That is to say, substantially all transactions in or exchanges of merchandise, as well as all the daily sales of stocks and bonds, are either upon a cash basis or upon terms of credit limited within say to twelve months. The credit which is granted by the farmer who plants a crop, or by the manufacturer who lays in a stock of material, to the public in general whom he is preparing to supply, is also substantially limited to a single season.

Deferred payments of the kind likely to be affected by any change in the relative value of the precious metals are therefore practically limited to mortgages or real estate—railroad bonds and public securities. The cause of anxiety to the honest advocates of what is known as bi-metallism, may therefore be limited to the fear lest such obligations may become a heavier mortgage at maturity than at the date of the obligation. Has the lender a fear that he may be paid in a medium which shall have less purchasing power, then the charge for the use of money must be increased. Would it suffice to-day for the United States to promise payment in "coin" on a long loan in order to secure the lowest rate of interest? I think not. It would be necessary to buy gold coin in order to restore confidence. Were there no deferred payments or long dates, the matter at issue would possess much less importance, since abrupt changes in the relative value of gold and silver are of the rarest occurrence.

Again, the transaction is very exceptional in which it is necessary for either party to avail itself of a legal tender act, even in respect to a deferred payment.

What, then, is the history of legal tender, and what are the purposes of legal tender acts?

As to the first question, I have sought in vain for a reply. No lawyer or student of law among the many to whom I have put the question has been able to give me the origin and history of acts of legal tender.

We must, therefore, reason upon them deductively.

What must have been their first object or intention?

Before any such acts existed the names which were applied, either to coins or to masses of metal which were not shaped or united into coins, were not these names simple designations of weight and quality, and did they carry any other idea with them?

Assume, then, that a bargain has been made for the payment at a given time of a given number of pounds, livres, shekels or other specific weights of metal, and that there existed no legal tender act.

The specific number of pieces of such weight being offered to a creditor, no act of legal tender would be required to enforce the acceptance of the same by him. He could not fail to be satisfied. He could expect no heavier weight, and he would not willingly accept any lighter weight or quality. True money, therefore, needs no act of legal tender to enforce its acceptance in accordance with the terms of a contract about which there is no other cause of dispute.

An act of legal tender could, therefore, be conceived only when the coinage of a country had been debased. When pounds, livres or shekels were debased and coins of less weight or fineness than those indicated by the original name were issued and first offered to creditors, the vicious nature of *legal tender* was disclosed. It was then made manifest to creditors that the governing power of the country had passed a legal tender act to defraud them of their rights.

Whoever is familiar with history, even in a superficial way, knows that the meanest frauds of governing bodies or of despots, have been the debasement of the coin below the weight indicated by its name, and the enforcement of the acceptance of such light coins by creditors under an act of legal tender.

And yet the worst fraud is not that committed upon creditors. When coin is debased, or paper substitutes for coin are forced into use under the guise of money, prices rise rapidly, while wages slowly follow, and in the interval the mass of the people are fleeced, as they soon will be if the coinage of eighty-three-cent dollars is continued much longer.

It may, therefore, be assumed that the very conception of legal tender was generated in fraud and matured in corruption. Its history may be a full justification of its birth, especially the history of legal tender acts in the colonies which now constitute the United States of America.

It is not necessary, in this connection, to consider acts of legal tender which are passed as war measures, and for the purpose of collecting a forced loan.

The very fact that the legal tender notes of the United States were issued for such purposes may well be cited as evidence of their unfit character in time of peace. By way of their issue, the Government of the United States made a forced loan of arms, equipments and services necessary to the conduct of the war.

Whenever these notes passed into the Treasury in liquidation of taxes, they conveyed a title to the arms, equipments or services previously borrowed. That transaction was then closed and the note in the Treasury became a dead note—it became *functus officio*—it gave evidence that a debt had been paid which was previously owing for a forced loan.

A reissue of such a note is the collection of another forced loan—it is a new act of borrowing—it is a new transaction for which there is no authority of law, but against which there is, I am confident, an express provision of law. I believe this point has never been presented to the Supreme Court. It is, perhaps, presumptuous to name it, but, if it is not sound law, I think all bankers will agree that it is common sense. No banker would ever look upon *his notes paid* in any other way.

There is, of course, another convenient function of a legal tender act, to wit: under customary conditions the debtor who has attempted to pay his debt, according to his understanding of his contract, is enabled to perpetuate the evidence of his offer of good money of full weight. His tender would be limited to an attempt to act in accordance with his contract; to be so decided by a court of competent jurisdiction in case of dispute. But this function could be covered in many other ways; it is an incident, rather than an essential, part or purpose of a legal tender act.

Bi-metallism, or the application of both gold and silver to purposes of coinage for use as money, is therefore something very distinct and separate from bi-legal-tenderism.

We must separate these conceptions or functions of money and of legal tender from each other in order to be able to apply our common sense to the silver question as it is now presented to us for a decision.

For the purpose of illustrating this complete separation, we may find many examples in the past, and one conspicuous and paramount example in the present time.

In respect to international commerce there is and can be no application of acts of legal tender—such acts being of necessity limited to the country by which they are enacted; yet all this commerce is measured by the standard of the money metals at their relative value each to the other, and the balances are all liquidated by the use of the precious metals in the form of coins, or in the equivalents of coin; but at their actual relations to each other.

Right here let it be remarked that there is and has been less uncertainty and therefore less cost in the conduct of the foreign commerce of this country than in the conduct of its domestic commerce since 1861, for the very reason that it had been of necessity free from the aggressive working of legal tender acts.

Again, in former days, the commerce of the east was conducted by the remittance of silver bullion or of Mexican dollars to China, and by the remittance of Spanish pillar dollars to Borneo, Sumatra and other places. The trade dollar coined by the United States was invented for use in the China trade, in imitation of the Mexican dollar so far as weight of silver is concerned. But, since all the ways and methods of commerce have been changed by the telegraph and the steamship, London has become the clearing house of the world in a more complete measure than ever before, and there all balances are determined and settled in pounds sterling, which is only a name designating a given weight of gold of which the coin representative is a sovereign.

How and why has this come about?

Is it not because no aggressive act of legal tender can be extended over these transactions?

Has not the standard of gold been adopted by natural selection because it is the safest and least bulky, and therefore the cheapest?

Has this selection of the standard or unit of a pound sterling as the measure of all deferred payments in international commerce had the least effect in respect to

the use of silver as a money metal for the manufacture of coins in Asia, Africa or South America?

It may not be denied that the interference of acts of legal tender may alter the relative quantities of gold or silver coin used by particular countries. Had not silver been made a legal tender in Germany, the stock of coin which was sold when the act was repealed would never have accumulated in Germany, and had it not accumulated there would have been no great stock to be sold by which the market price was for a time affected. If the United States had not withdrawn two million dollars' worth of silver bullion per month from the market for useless coinage, we should not be confronted with the present question of how to use it, and the exchanges of the world would not be liable to temporary disturbance when we cease to purchase or try to dispose of what we have.

May it not, therefore, be held that acts of legal tender in respect to the money metals—while they may cause temporary fluctuations in their relation to each other—or may render these fluctuations more intense, are yet utterly powerless to establish any uniform ratio between the two metals?

May we not also assume that if there were no other act of legal tender in the United States, except such as would empower creditors to enforce contracts in the specific kind of coin named in each contract, substantially all contracts for any long deferred payment would be made specifically payable in dollars of gold or in other gold coins, because there would be less risk than in contracts specified in silver dollars? If such would be the free choice of both the parties to such a contract, why should the law be so framed as to restrict such freedom of contract?

May not the present law be construed as an act to render all contracts uncertain, and to subject all creditors to the rule of "heads I lose, tails you win?" If, however, creditors are forced to take this risk, in the long run the debtors will pay for it in the higher rate of interest upon all loans.

May it not be held that the very purpose of all legislation for the enforcement of contracts and for the collection of debts is to prevent the evasion of either? Is not this the true interest of both parties in all the contracts?

If so, what justification can there be in establishing two kinds of coin under the same name, and giving the debtor the only choice?

It is, perhaps, useless to ask this question, when the Supreme Court of the United States has impaired the terms of all contracts by a decision which gives the debtor the choice between two kinds of dollars, and one paper substitute for dollars.

We must, therefore, surmount the commercial dangers which have been artificially created by aggressive legislation, and sustained by illogical (or, we may say *illegal*, except for this particular decision), decision of the court, by coming back to the nature of things, and by an appeal to common sense on the silver question.

The act of legal tender whereby the present silver dollars was made lawful money, and under which the alternative has been given to all debtors to meet their contracts by making use of it, whatever its depreciation may be, was sustained by two distinct parties.

1st. By the owners or representatives of the silver mining interests of the United States.

2d. By many persons who honestly believe that the use of silver as a money metal depends upon silver coins of some sort being made a legal tender.

With respect to the first-class, it would be useless to argue. Silver, considered as a product, is one of the most insignificant and unimportant of the products of the United States. It gives employment at very uncertain rates of wages, and under generally adverse conditions to a small body of laborers, and to a very considerable amount of capital; but this capital is mainly used as a motive to speculation rather than for any other purpose. The general result of this branch of industry has been that every dollar of silver lately produced within the limits of the country has probably cost nearly two dollars in gold value, according to the judgment of those best qualified to have an opinion. It has given rise to a few speculative and somewhat obnoxious great fortunes, and has ruined a very large number of persons. At the highest point it has been worth less than *fifty million dollars* a year, and has averaged much less for the last ten years; and as I have had occasion to remark more than once, the total value of the annual silver production is less than *fifty per cent.* of the annual production of hen's eggs, the latter representing a very widely diffused branch of industry, on which not less than five times the number of laboring people are sustained in comfort, wholly or in part, as compared to the laboring people engaged in silver mining. We may, therefore, reject the arrogant demands of the so-called silver interests with the contempt which they deserve, when they claim for their branch of industry such special legislation as impairs or imperils the whole commerce of the country.

Persons of the second class are entitled to the most careful and judicious consideration! They are not the advocates of a silver standard, nor of the single use of silver as a money metal; but they believe that the stability of all business, and that the protection of all debtors requires the continued use of both gold and silver as money metals. They do not concur in the views which have been presented in this paper, that acts of legal tender have very slight and temporary effect upon the use and price of silver; but they fully believe that the legal provisions must be made for such use. They are reasonable persons, who may be convinced by their opponents, or who may possibly convince their opponents that they are wrong; they should be met with honest and reasonable discussion! Of their number the Hon. A. J. Warner, of Ohio, is a conspicuous and able representative. Any propositions which he submits, or is willing to sustain are entitled to a very full consideration; and I, therefore, propose to treat very briefly what I understand to be the plan which Mr. Warner has presented, and which, if adopted, would lead him to sustain the passage of an act for the cessation of the coinage of the silver dollar, which is now compulsory at the rate of two million dollar's worth of bullion per month. Mr. Warner and his intelligent associates are absolute bi-metallists—they are as averse to the single use of silver to which they see events are now tending in this country, as they are to the single use of gold. With them may we not confer and perhaps co-operate?

It is to be regretted that Mr. Warner's plans had not been submitted in the first place in the form of a specific act proposed for legislation. Having, however, been first published as an interview, it has been subjected to very great misconstruction, and Mr. Warner has been treated by superficial persons as if he were one of the ordinary ruck of agitators who seek to establish what they call "cheap money." So far from this being true, there is no person in the United States who desires more earnestly to secure a true and uniform standard in respect to whatever may be the lawful money or lawful coinage of the country.

If I fully comprehend the conclusions which Mr. Warner has reached after a very careful study on his part of all the standard authorities, he thinks that there is a necessary and absolute connection between the volume of the money metals, both silver and gold, and the transactions which are gauged or valued by the standard of these metals. He is also of the conviction that these so-called money metals, silver and gold, may be monetized or demonetized by acts of legislation; hence the importance which he attributes to acts of legal tender.

For our present purpose it is not necessary to discuss these propositions. Suffice it that both Mr. Warner and all other intelligent advocates of what is called the bi-metallic system, are now of the conviction that the present coinage act of the United States under which the present silver dollar of the United States is being coined and made a full legal tender, is an obstruction to the general adoption of the bi-metallic system by other nations or States. Mr. Warner and his associates are therefore as urgently in favor of a repeal of the present coinage act, both in respect to dollars and to subsidiary coinage as the most intense mono-metallist can be; but he desires to couple with this repeal certain other measures whereby he believes that the use of silver as a money metal may be promoted, both in this and in other countries. May we not therefore give careful consideration to his propositions? If I comprehend them rightly, they are as follows:

Coupled with a repeal of the present coinage act, he proposes that the United States Treasury shall receive deposits of silver bullion, and shall issue certificates of such deposits, in which shall be stated the weight of bullion; and this weight of bullion shall also be measured or declared in terms of dollars at the market value of such bullion at the time of the deposit.

He further proposes that these certificates of deposit of silver bullion shall be received by the Government in liquidation of taxes or duties at the declared value in dollars which shall have been given them at the time of their issue; or that they shall be redeemable by the Government in an equal weight of silver bullion to that named in the certificate, or in any kind of lawful money which may be in

possession of the Treasurer, at the number of dollars which the certificate represents.

If I understand Mr. Warner's view of the market value of silver bullion, he does not consider this market value to be the exact ratio which silver bullion bears to gold coin or to gold bullion. What he *does* believe, I apprehend, is this, that the market value of silver bullion is its price, which price is established by its ratio to the whole volume of money which is in use in all the commerce of the world, whether such money be of gold or silver or of legal tender substitutes.

It would not be worth while to discuss this abstract question, since it is probable that all bankers and all advocates of a single standard,—commonly called a gold standard,—would be satisfied with the continued use of silver, provided it could be established in use for money purposes at the standard of its market value, whatever may be the factors which make such market value. Uniformity and stability are the essential points to be sought and established, if possible, in the money unit.

The doubtful question in the minds of most persons would be, whether or not it would be judicious for the Government to issue certificates at a fixed market value, and virtually to guarantee to the holder of the certificate that the price would not be below that point while that certificate was outstanding. If the Government were not now imposing upon the people a much greater risk by purchasing one-half the entire annual product of our silver mines at its market value and imposing it upon the people as a legal tender at an advance of about twenty-five per cent., Mr. Warner's proposition might not, perhaps, be entitled to consideration. Is it not, however, a much safer alternative than the conditions to which we are now subjected?

It has been objected that if this proposition were adopted, the silver of the world would tend toward the Treasury of the United States, or, as it has been alleged, "would be dumped into the Treasury;" but I can find no reason for any such anticipation. It is not proposed to issue these certificates from the Treasury except at the market value of silver at that time; therefore, what object would there be in sending silver to this country from any foreign country in order to obtain a certificate which can only be used for certain limited purposes within the limits of the United States, when the same price could be obtained in gold coin or in exchange for merchandise, at any other point.

Again, it has been anticipated that the whole product of silver of the United States would tend toward the Treasury to be converted into certificates. How could this happen? Mr. Warner does not propose that these certificates shall be made a legal tender in liquidation of private debts; therefore no deposit would be made for the purpose of forcing the acceptance of a certificate by a creditor. All that can happen would be that the United States vaults would be made use of for the deposit of a somewhat cumbrous but valuable material in order that its value should be represented by a certificate, easily transferable to other persons by the owner or producer of the silver bullion. There can be no doubt that such certificates would find an immediate use and to a large extent; just as the certificates for the deposit of gold found a use, to a large extent. There can be no doubt that the silver producers would be able to make use of these certificates in settlement of their debts to other persons who would *voluntarily* receive them. If a slight rise should then occur in the price of silver, they would be presented for redemption in bullion; if a slight fall should occur, they would be in demand for use in liquidation of National taxes and duties. Therein, some one will say, may be the danger. But what would this danger amount to? The moment a silver certificate had come back into the possession of the United States in liquidation of a tax or a duty, the silver bullion which that certificate represented would no longer be subject to a lien; it would become the absolute property of the United States, and could then be sold at its market value if the United States needed to convert it into gold or its equivalent. These certificates would constitute a paper currency, secured dollar for dollar by one of the money metals, to wit, by silver tied to the standard of its market value by the guarantee of the United States. That is to say, equivalent to gold.

Would this not be an ideal paper currency? Or we might ask, would not this proposed semi-currency be the entering wedge to a currency with a true metallic basis? So it seems to me; and, even at a cost or risk to the people of the United States, through the guarantee of their Government, surely vastly less dangerous or costly than the present system of coining legal tender silver dollars worth less than eighty-three cents at the market value of silver.

To what extent Mr. Warner proposes to enforce the use of these certificates in the exchanges of the National Banks has not been made perfectly clear, and will not be until his proposition shall take the form of a legislative bill. This branch of the question would surely be a most suitable part of the subject for the consideration of the bankers.

Unless I take a very superficial view of this whole subject, there is a way out of our present difficulty in the adoption of some method of using silver bullion analogous to the one proposed by Mr. Warner, if not identical with it, which will satisfy all honest advocates of the use of silver as a money metal, and will save the world from the shock of its absolute disuse in this country, which may ensue for a time whenever the country realizes the extreme danger to which its whole financial system is now exposed under existing laws.

Furthermore, Mr. Warner proposes the recoinage of all our subsidiary silver coin in order that a new standard weight be established more nearly equal to the market value of silver bullion. That some such course will soon be an absolute necessity is becoming apparent by the admitted danger of the manufacture of subsidiary coins of full weight and value, according to the present standard, in private mints, or in mints established outside the limits of the United States.

It is not necessary to do more than to present this danger to the attention of bankers. The subsidiary coins can be converted, upon presentation, into legal tender notes, in sufficiently large sums to make the conversion as rapid as would be necessary; and these legal tender notes can now be converted into gold coin. So long as this state of things continues there would be a profit of more than twenty-five per cent. in establishing a private mint for the coinage of the half-dollar of full weight and standard fineness. There are some reasons to suppose that this work is now in operation on a very considerable scale.

There is another important view which may be taken in respect to Mr. Warner's proposition. The payment of the bonded debt of the United States has not been proceeding as rapidly during the last few months as it did for a long period antecedent. But this is a time of fluctuation. Already very many signs of an improvement in business are apparent. It is probable that the lowest limit has been reached in the revenue which will be yielded under our present system of National taxation. It is also apparent that the lowest limit of judicious economy in the expenditures of the Government has *not* been reached. We may, therefore, expect to witness an increasing surplus of revenue very soon, which must be applied to the payment and withdrawal of United States bonds. Even if measures should be enacted by the present or the next Congress for a considerable reduction of taxation, such measures may not be followed by a commensurate or very large reduction of revenue. The first lesson has yet to be learned in this country that a reduction, within certain limits, in the rate of taxation, leads to an increase of revenue; and it is hardly probable that either the present or the next Congress will enact such heroic measures in the reduction of rates as will lead to any considerable reduction of revenue.

I suppose that no intelligent banker has failed to ask himself the question as to what will be basis of a paper currency when Government bonds can no longer be obtained at such a price or rate of interest as would induce National Banks to issue bank notes; yet the people of this country are not likely to give up the convenience of a paper currency, and will adopt many dangerous alternatives rather than be subjected to the inconvenience and risk of carrying much coin in their pockets; they will certainly adopt almost any alternative rather than be subjected to the necessity of carrying around a heavy weight of silver dollars.

May we not probably find the solution of this problem in some mode of action analogous to that now proposed by Mr. Warner in respect to silver? Would it not be within the proper functions of the Government, even at some slight cost and at a moderate risk, to grant to the people the benefit of a representative paper currency in the form of a certificate of deposit of gold bullion, or of silver bullion at its market value? So long as the central Government elects to assume the functions of providing any kind of paper currency in substitution for gold coin, there seems to me no safer alternative than such a one as this.

In conclusion, I venture to ask you to consider this question on the grounds on which I first presented it, to wit: That acts of legal tender are not a necessity to the safe conduct of business; that if enacted at all they can only be justly enacted for the purpose of enforcing the fulfilment of contracts according to their terms—but that, in this country especially, their principal result has been to impair all private contracts.

Were there no national acts of legal tender, for which, it may be observed, no specific authority can be found in the Constitution of the United States, but, on the contrary, a very strong implied reservation to the several States of the power to establish a legal tender, this question could not arise. Were the functions of the central Government limited simply to the establishment of coins of a given weight, and to the manufacture of such coins in the national mints, these mints could be safely opened to the free coinage either of gold or of silver. It would then rest with each State to determine whether one or the other or both coins should be a legal tender within its limits, as to contracts entered into within that State, subject to that wise provision of the Constitution that no State should make anything but silver or gold a legal tender in liquidation of debts.

It is, perhaps, to be regretted that the national Government should have arrogated to itself, without specific authority, the power to enact acts of legal tender. Except for this, the arrogant acts and aggressive demands of the petty silver mining interest would have been of no effect, and the commercial, agricultural and manufacturing States would have established the standard which, to each of them, would have seemed most safe and suitable.

There can be little doubt in the mind of any intelligent banker what that standard should be.

There is but one other point upon which I may venture to make a suggestion.

Very able arguments have been presented by Mr. C. J. Goschen, Mr. Robert Giffen and others, in which the present great decline in prices is imputed to an increased scarcity of gold. In Mr. Giffen's recent article in the June *Contemporary Review*, he gives a very clear statement of all the facts in the case, and while referring somewhat incidently to the improvements which have been made in the process of production and distribution, he yet attributes the reduction of prices to the diminishing product of gold. I can only regard this as an hypothesis unlikely to be proved, because both Mr. Goschen and Mr. Giffen seem to me to give very little regard to the element which I should consider the chief cause of a reduction in price. They take note, it is true, of the increasing quantity of staple products as a factor, but they do not appear to give any attention to the fact that the increased product is the result of the same or of a less quantity of labor. They seem to consider a reduction of prices an evil, but is this a fact? When such reduction happens because of an increased general product and a remission of labor, is not the consequent reduction of price an immense benefit to the great mass of the people? It must be kept distinctly in view that in the progess of invention, lower prices are wholly consistent with higher wages, therefore the small farmers, and wage-earners, and salary men, who constitute nine-tenths of the people of the United States, who are occupied in any kind of gainful occupation, are steadily gaining an increasing share of an increasing product. In order to demonstrate the effect of this important element in the case, we may also present hypothetical conditions.

FIRST.—Let us suppose a given community engaged in manufacturing and farming, and supplied with all the coin it needs to serve for its instruments of exchange and for bank reserves. Consumption is restricted, because the roads are bad and the time required to make the exchange is long. If a large quantity of gold is added to the quantity of coin, without being accompanied by other improvements, through the sudden opening of a mine in which the labor cost of procuring the gold is small, would not the only effect, if any, be a rise in prices, unless the coin could be exchanged for imports?

SECOND.—Suppose, on the other hand, that no addition is made to the stock of gold, but that railways are substituted for common ways, with no improvement in the processes of production. Yet would there not be a great saving of time in making the exchanges, and, as they would cause less coin to be required, would not a fall in prices of bulky commodities probably ensue, provided this change was accompanied by a transfer of the coin which could be spared to foreign countries in exchange for something which had before been beyond the means of the community?

THIRD.—Suppose a great reduction in the labor cost of production and of transportation were made at the same time, with no addition to the stock of coin, in such case would not increased consumption and activity ensue, the saving of time offsetting the increase of transactions, so that the old stock of coin might still suffice, while the end would be greater abundance and increased consumption at the same prices?

FOURTH.—Now, let us assume what seem to be the actual facts: Between 1850 and 1860, the modern railway and the modern steamship began to have their effect on commerce. Agricultural machinery, improvement in steam engines and in the processes of manufacture began to have their effect on production—the electric telegraph came into use—and had the volume of the precious metals remained the same, a great reduction of prices might well have been expected, growing out of the increased production and decreased cost of distribution and great saving of time. Such had been the effect of the last series of great inventions, such as the first application of steam, of the power loom, of the locomotive, and the great development in iron mining and manufactures, without which England especially could not have sustained the wars of the first part of the century. But immediately after the vast addition to the precious metals between 1850 and 1860, at a greatly reduced cost of production, came the greatest series of inventions and improvements in the production and distribution of all other useful commodities which ever occurred in a single generation. Yet the increased abundance of the money metals more than counterbalanced this increase of other products. As compared to 1845–'50, prices steadily rose until the advance culminated between 1870–'75.

It will be observed that in such periods great fortunes are made, because the rise in wages is much more slow than the rise in prices, and wage-earners are the great consumers of the goods and wares, from the sale of which fortunes are secured. The advantage which rising or high prices bring to wage-earners is that of continuous employment, otherwise they are a disadvantage to them.

During the period from 1865 to 1875, however, another era of unusual invention and of great reduction in the labor cost of all production took place, and again it would have been reasonable to expect a fall in prices; but, although the panic of 1873 had been severe, it did not result in a permanent fall—it caused a fluctuation only—the enormous mass of precious metal added between 1850 and 1870 had not yet worked out its full results. The excessive abundance of gold enabled Germany to substitute gold for silver, and in this way caused a depreciation of silver, the production of which was still increasing; the United States and Italy found abundance of gold for their purposes without causing a sign of scarcity anywhere, and such has been the stimulating effect on prices of the vast addition to the stock of gold at low cost of production that the effect of all these improvements, which would otherwise have immediately caused a decrease in the prices of grain, cotton, iron, copper, sugar, textiles—in short, of every great staple except timber, which has become less abundant—was deferred until 1882–'83.

This great and sudden excess of gold has now at last become distributed; the production of gold is ample to provide for waste; there is no sign of scarcity of gold anywhere, and there is still a small excess of silver. At last the beneficent results of all the inventions to which I have referred are becoming apparent, from which we are now obtaining our vast abundance of grain, fuel, meat and clothing, accompanied by a great reduction in rents, both of land devoted to agriculture and of city property, and we have at last the low prices to which vast improvements have entitled us.

In such periods of adjustment to lower prices the owners of railways, factories, warehouses and works which have been constructed on a basis of high prices, must suffer; merchants and manufacturers who carry stocks of goods also suffer, and the small proportion of the working classes who are customarily employed in constructive enterprises which are for a time checked, find employment with difficulty. All the rest gain. Abundance and low prices are a permanent benefit—the great volume of the necessary traffic, which constitutes at least ninety per cent. of the whole, goes on its customary way, and, when the adjustment shall have been

made, and general prosperity returns, every one will see what is now apparent to only a few—that such hard times as are produced by an abundant production at a decreasing cost when measured in terms of labor, are, in fact, the periods when the mass of the people are making the greatest progress in substantial welfare.

Aside from the entirely abnormal conditions of war, I have myself witnessed the purely commercial crisis of 1857, the panic of 1866, the railway panic of 1873, the long period of depression preceding the restoration of the specie standard in 1879, and the recent era of abundance and adjustment of prices which have been called "the hard times" between 1882 and 1885. Each of these periods has been one of the cure of a previous disease in the financial fabric, from which process of cure great prosperity has soon after ensued; the present era will, in my belief, very soon prove to have been one of the most wholesome processes, during which the foundations are being laid for rendering the struggle for life vastly easier than it has ever been before, and in which a very few will have suffered for a time, while the vast majority will have gained. Time will not suffice to analyse the beneficent effects of permanently low prices growing out of abundance, but if you have followed me closely you will observe that such low prices are accompanied by correlatively high wages, the necessary consequence being a much more equitable and natural division of products between labor and capital, to the enduring advantage of the former.

Note by Mr. Atkinson.—This paper was presented in order to secure for Mr. A. J. Warner's plan of avoiding the silver danger, such attention as I think is due to him, on the ground of personal character and honest intention. The remarks were based upon what I understood to be Mr. Warner's plan, as developed by him in an interview with a reporter of the New York *Herald;* but I find in his proposed *bill* such an extension of the legal tender functions of his proposed certificates, based upon silver bullion, that I do not wish to be assumed to give my adhesion to this bill, or my support to any such legal tender functions of the silver certificates.

It has seemed to me that a way might be found for sustaining the issue of certificates, based upon silver bullion at the market value thereof, which could be made acceptable to honest bi-metallists like Mr. Warner, but which would be free from the grave danger of the present legal-tender silver dollars. If, however, an extended legal-tender function is to be given to such bullion certificates, the only remaining course to be pursued may be to suspend the coinage of silver dollars, of which more than enough have been coined to satisfy the most pronounced advocates of the use of silver, and then wait events or the action of other nations.

In my recent trip to the far Northwest, through the principal cities of that section, I was gratified to find the solid sense of the business community adverse to the continued coinage of light-weight dollars. It is, therefore, important that no dangerous concession should be made upon the legal tender question in respect to silver bullion.

I write this letter more as a personal matter than for any other reason, lest it should be assumed that in asking a hearing for the essential point contained in Mr. Warner's original plan, I might be misconstrued, and be supposed to have expressed approval of the details of his bill which relate to the legal-tender functions of these proposed certificates. To these details I enter my most earnest protest.

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